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Message Text

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PAGE 01 RANGOO 01530 020918Z
ACTION EA-12

INFO OCT-01 EB-08 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-15 H-02 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-20 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 XMB-04 /142 W
----------128330 021057Z /21
R 020812Z MAY 78
FM AMEMBASSY RANGOON
TO SECSTATE WASHDC 5295
INFO AMEMBASSY TOKYO

UNCLAS RANGOON 1530

E.O. 11652: N/A
TAGS: ENRG, BM
SUBJECT: COST OF JAPANESE REFINERY AT MANN

REF: (A) STATE 109498; (B) RANGOON A-21 (NOTAL); (C) 77 RANGOON
A-22 (NOTAL); (D) RANGOON 3910

1. PART OF THE REASON FOR THE HIGH COST OF THE REFINERY CAN BE ATTRIBUTED TO APPRECIATION OF THE YEN VIS A VIS THE US DOLLAR. AS REPORTED IN REFS. C AND D, THE LOAN WHICH IS DEFINED IN YEN TERMS IS FOR 29,950 MILLION YEN. AT THE TIME THE NOTES WERE ORIGINALLY EXCHANGED (REF D) THIS WORKED OUT TO ABOUT $100 MILLION. THE YEN AMOUNT REMAINS UNCHANGED, BUT WHEN CONVERTED AT PRESENT EXCHANGE RATES, THE U.S. DOLLAR AMOUNT APPEARS CONSIDERABLY GREATER. TERMS OF THE LOAN REMAIN AS STATED IN REFS C AND D.

2. NEITHER THE JAPANESE EMBASSY HERE NOR GUB SOURCES WOULD COMMENT ON WHAT ADDITIONAL INFRASTRUCTURE, PIPELINES, ETC., IF ANY, ARE INCLUDED IN THE AGREEMENT OTHER THAN TO NOTE THAT THE LOAN WILL BE MADE AVAILABLE TO COVER PAYMENTS TO JAPANESE SUPPLIERS FOR PURCHASE OF JAPANESE PRODUCTS AND SERVICES OF JAPANESE NATIONALS REQUIRED FOR IMPLEMENTATION OF THE PROJECT. WE ARE SEEKING ADDITIONAL CLARIFICATION ON THIS POINT.
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3. THE REFINERY WOULD MAINLY HANDLE THE OUTPUT OF BURMA'S MANN FIELD WHICH IS LOW SULFUR CRUDE.

4. THE GUB STATED THE REFINERY PLANT WILL PRODUCE HEAVY NEPTHA AND OTHER PETROLEUM PRODUCTS WITH THE FOLLOWING CAPACITIES (IN US BBLS):

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LIQUIFIED PETROLEUM GAS	223862
NEPTHA AND MOTOR GASOLINE	1668800
KEROSENE	1321000
DIESEL OIL	1814000
SN FUEL OIL	2025000

IT IS SUPPOSED TO REFINE UP THROUGH JP5. THE OBJECTIVE OF THE PLANT, SET FORTH BY THE GUB, IS TO SUPPLEMENT THE NEEDS OF PETROLEUM PRODUCTS IN THE COUNTRY AND TO PRODUCE RAW MATERIALS FOR SYNTHETIC FIBERS AND PETROCHEMICALS. A GUB ESTIMATE OF THE COST MADE LATE LAST YEAR PLACED THE FOREIGN EXCHANGE REQUIREMENT FOR THE REFINERY AT $97.9 MILLION.

5. IT IS POSSIBLE THAT THE RATHER REMOTE LOCATION OF THE REFINERY IN CENTRAL BURMA ADDS CONSIDERABLY TO THE COSTS. NEVERTHELESS, WE SHALL ATTEMPT TO OBTAIN A MORE EXACT COST BREAKDOWN, AND SUBMIT THIS TO THE DEPARTMENT WHEN AVAILABLE.
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Disposition Comment:
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TAGS: ENRG, BM
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